

**Defense Contract Audit Agency**  
**Evaluation Program for Other Transaction (OT) Agreements**  
**Awarded to DoD Contractors**

Contractor's Name: \_\_\_\_\_

Assignment Number: \_\_\_\_\_

Field Audit Office: \_\_\_\_\_

Supervisor's Approval of Program: \_\_\_\_\_ Date: \_\_\_\_\_

**A. PURPOSE**

The purpose of the evaluation is to determine if the contractor's (or consortium of contractor's): (1) incurred costs follow the terms of the OT; (2) billed costs comply with the terms of the OT; and (3) cost share (contribution) amounts are being provided in accordance with the OT and have not been directly or indirectly billed to the Government. [*Modify purpose, as appropriate, to fit the type of OT being evaluated and the terms of the OT.*] The evaluation will be an agreed-upon procedures engagement performed in accordance with applicable Government Auditing Standards and the AICPA Professional Standards.

<u>Staff Hours</u>			Auditor's
Bud-	Act-	W/P	Initials
<u>get</u>	<u>ual</u>	<u>Ref.</u>	and Date
			<u>Completed</u>

**B. PRELIMINARY STEPS**

1. Brief the OT and identify key clauses affecting costs and audit access.
2. Conduct entrance conference with the contractor. Prepare/obtain a schedule from the contractor identifying incurred cost (including contractor cost share) and billed cost.
3. Request the contractor to explain accounting treatment for OT. Have contractor identify how OT costs were accounted for, to include both government and contractor cost share (e.g., OT treated as a contract or IR&D).

**C. FIELD WORK**

1. Verify incurred cost (including contractor's cost share) to the contractor's books and records. Verify that claimed costs were not incurred prior to OT, unless pre-agreement costs were authorized.
2. If the OT allows the contractor to make other than cash contributions, determine if these

	<u>Staff Hours</u>			<u>Auditor's</u>
	<u>Bud-</u>	<u>Act-</u>	<u>W/P</u>	<u>Initials</u>
	<u>get</u>	<u>ual</u>	<u>Ref.</u>	<u>and Date</u>
				<u>Completed</u>

contributions are being provided. Evaluate valuation of in-kind contributions and determine if reasonable. Verify that the in-kind was used on the OT.

3. Determine the basis for the indirect expense rates applied. Consider status of final incurred cost audits. If DoD provisionally approved rates or final negotiated rates were not used, calculate a general dollar magnitude of the difference.
4. Determine if the contractor applied its normal accounting practices used for DoD contracts or IR&D projects to the OT. If not, determine what practices were used. If possible, determine cost impact of not using normal accounting practices.
5. Consider any potential CAS 402 noncompliance issues relative to contractor's accounting treatment of OT. Follow CAM 8-302.7 when deciding whether to issue a CAS 402 noncompliance.
6. Determine if billings were prepared in accordance with the terms of the OT.
7. If OT is accounted for as an IR&D project, determine if Government payments are credited to an IR&D account.
8. Compare billed costs, incurred costs, and those costs reported in the various required OT reporting documents.

## D. CONCLUDING STEPS

1. Summarize the results of the performance of the agreed-upon-procedures and prepare the draft report. Discuss results with supervisor and obtain final supervisory review. Coordinate significant issues with the requestor.

	<u>Staff Hours</u>			<u>Auditor's</u>
	<u>Bud-</u>	<u>Act-</u>	<u>W/P</u>	<u>Initials</u>
	<u>get</u>	<u>ual</u>	<u>Ref.</u>	<u>and Date</u>
				<u>Completed</u>
2. Hold an exit conference with the contractor in accordance with CAM 4-304. Provide the draft report and discuss each exception/finding with the contractor and request a response for inclusion in the final report. Incorporate contractor's response and prepare the final report.				
3. If the evaluation discloses information that raises reasonable suspicion of fraudulent or other illegal acts, refer the matter by completing DCAA Form 2000 (see CAM 4-702).				
4. Update permanent files as needed.				
5. Closing actions should be performed in accordance with FAO procedures. These procedures may require either auditors or administrative personnel to perform various closing steps. Completion of these closing actions should be documented in the working papers and should include:				
a. If the report has been electronically transmitted to the customer, file the signed original report in the working paper package. Otherwise, file a copy of the signed report.				
b. Include a printed copy of the final draft report containing the supervisory auditor's initials and date on the top page, cross-referenced to the working papers, in the working paper package. The final draft report should include all substantive changes made to the original draft, with cross-referencing updated as necessary. It should differ from the final report only due to minor administrative changes (spelling, format, etc.) made during final processing.				
c. Include an electronic version of the acknowledgement letter in the working paper package.				

	<u>Staff Hours</u>		<u>W/P</u>	<u>Auditor's</u>
	<u>Bud-</u>	<u>Act-</u>	<u>Ref.</u>	<u>Initials</u>
	<u>get</u>	<u>ual</u>		<u>and Date</u>
				<u>Completed</u>
d. Include hardcopy printouts of the Administrative and Working Papers indexes, including the supplemental listing of electronic files, in the working paper package.				
e. Ensure all working paper files are "read only" and, if necessary, compressed for final storage. Generally, current Agency software should be used to automatically modify all electronic files for storage.				
f. Two complete sets of electronic working papers must be prepared. The "original" set should be stored in the working paper package. The "archive" set is to be stored separately from the working paper package on removable media such as CD-ROM or diskette. If there will be a short-term need to access the working papers, a third, or "working" set should be stored so as to be available for reference, generally on the LAN. This set should be deleted when no longer needed.				
g. Verify that electronic files stored on removable media are not corrupted and can be unarchived.				
h. Securely enclose the "original" set of electronic files in the working paper package.				